

## Message Text

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ACTION SS-25

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R 111505Z SEP 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6399

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 9001

EXDIS

E.O. 11652: GDS

TAGS: USEGJC EAID

SUBJECT: EMERGENCY AID TO EGYPT

REF A. TOKYO 12574;B. STATE 212142

SUMMARY: EGYPTIAN CONCERN OVER SHORTFALLS IN ANTICIPATED EMERGENCY FINANCIAL ASSISTANCE HAS BEEN HEIGHTENED BY RECENT JAPANESE ANNOUNCEMENT OF ONLY \$50 MILLION, OF WHICH HALF IS REPROGRAMMING OF MONEY ALREADY OFFERED. FRG'S CONTRBUTION OF SIMILAR AMOUNT DOES NOT APPEAR TO HAVE CAUSED SIMILAR REACTION, POSSIBLE BECAUSE OF CONFUSION IN GOE AS TO TOTAL AMOUNT TO BE CONTRIBUTED BY EC. END SUMMARY

1. ECONCOUN CALLED ON AHMED ABOUL NASR, UNDERSECRETARY AT MINECON/ECBNCOOP AT LATTER'S REQUEST ON SEPT 10, TO DISCUSS MATTERS OF MUTUAL INTEREST WITH PARTICULAR EMPHASIS ON EMERGENCY ASSISTANCE PROGRAM

2. NASR SAID GOE WAS "TERRIBLY DISAPPOINTED" WITH ASSISTANCE FROM JAPAN. THE \$50 MILLION OFFER IS ONLY 50 PERCENT OF WHAT HAD BEEN "PROMISED" (TOKYO 1610). FURTHER, HALF OF THAT SUM REPRESENTS  
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SLEIGHT OF HAND WITH MONEY THAT HAD ALREADY BEEN PROGRAMMED

(SEE BELOW). THIS MEAN'S EGYPT'S NET GAIN IS \$25 MILLION,  
FAR SHORT OF COMMITMENT THAT HAD BEEN GIVEN.

3. ACCORDING TO NASR, EGYPT HAD BEEN PUSHING GOJ TO FINISH  
WITH IMPLEMENTATION OF \$25 MILLION 1974 PORTION OF TWO YEAR  
(74-75) \$50 MILLION COMMODITY LOAN, SO THAT WORK COULD BEGIN  
ON 1975'S SHARE. TO HAVE THIS SECOND \$25 MILLION NOW APPEAR  
AS PART OF NEW EMERGENCY ASSISTANCE IS A SEVERE SHOCK. NASR  
SAID HE MERELY WISHES TO CALL THIS TO OUR ATTENTION AT REQUEST  
OF DEPUTY MINISTER GHANDOUR (ACTING IN ABSENCE OF MINISTER  
SHAFEL, IN WASHINGTON FOR IMF/IBRD MEETING).

4. ON SUBJECT OF ASSISTANCE FROM EC COUNTRIES, NASR REPORTED  
THAT FRG'S CONTRIBUTION HAD BEEN REDUCED FROM \$100 TO \$50  
MILLION "IN RESPONSE TO REQUEST FROM OTHER MEMBERS THAT THEY  
BE GIVEN OPPORTUNITY TO PARTICIPATE IN \$250 MILLION PACKAGE  
THAT EC WOULD RAISE". (NASR, AT LEAST, APPEARS TO HAVE  
CONFUSED TOTAL POTENTIAL SUPPORT FROM EC PLUS JAPAN, WITH  
EC CONTRIBUTION ALONE.) IN RESPONSE TO QUESTION AS TO SOURCE  
OF THIS INTERESTING INFORMATION, NASR SAID THAT DEP PRIMIN/FONMIN  
FAHMY TOLD IT TO GHANDOUR AT RECENT MEETING OF HIGHER PLANNING  
COUNCIL. ACCORDING TO SAME SOURCE, FRANCE IS EXPECTED TO  
ANNOUNCE DECISION TO CONTRIBUTE \$30-40 MILLION AND BOTH ITALY  
AND UK WILL ADD NOMINAL AMOUNTS. NASR HAD NO INFORMATION  
ON WHERE BALANCE OF ALLEGED \$250 MILLION WILL COME FROM, BUT  
EXPECTED THIS TO BECOME CLEAR IN NEAR FUTURE, FOLLOWING EC  
MINISTERIAL MEETING IN VENICE ON SEPT 12.

5. NASR EXPRESSED CONCERN AS TO SHORT FALLS BEING ENCOUNTERED  
IN US EFFORTS TO ENCOURAGE ASSISTANCE TO EGYPT AND WONDERED  
ABOUT CAUSES. EMBOFF SUGGESTED THAT THERE WERE NUMBER OF  
REASONS, SOME OF THEM RELATED TO SITUATIONS EXISTING WITHIN  
DONOR COUNTRIES, SUCH AS THEIR OWN ECONOMIC PROBLEMS AND  
DIFFICULTIES OF REQUIRED PARLIAMENTARY APPROVALS ETC; AND SOME  
OF THEM RESULT OF CONCERN OVER SITUATION IN EGYPT ITSELF.  
ILLUSTRATION WAS OFFERED OF DOUBT OVER USES TO WHICH RECENT  
\$1.1 BILLION IN LOANS FROM SAUDI ARABIA AND KUWAIT HAVE BEEN PUT.  
ASSISTANCE OF THIS MAGNITUDE HAS DECIDED IMPACT ON DONORS'  
PERCEPTION OF EGYPT'S PROBLEMS, PARTICULARLY IF WHAT IS BEING  
DONE WITH IT IS UNCLEAR. RELATED CONCERN IS WHAT MEASURES,  
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IF ANY, GOE IS TAKING TO REDUCE POSSIBILITY THAT SIMILAR  
FINANCIAL CRISIS WILL NOT DEVELOP AGAIN NEXT YEAR, WITH  
ANOTHER CRASH EFFORT REQUIRED TO SHORE UP ECONOMY.

6. NASR ACKNOWLEDGED THAT EGYPT COULD DO BETTER JOB ON  
BOTH PUBLIC RELATIONS AND MANGERIAL ASPECTS OF CURRENT  
CRISIS, BUT DOUBTED THAT ANYTHING CAN BE DONE TO IMPROVE  
SITUATION IN SHORT TIME. HE PROMISED TO REPORT CONVERSATION

TO GHANDOUR, AND TO SHAFEI ON LATTER'S RETURN SEPT 12.

7. COMMENT: ALTHOUGH EXPRESSED IN LOW KEY AND AFFABLE MANNER, AND BY OFFICIAL NOT AT DECISION-MAKING LEVEL OF MINECON, GOE'S CONCERNS ABOUT RESULTS OF US-SPONSORED RESCUE EFFORT ARE UNDOUBTEDLY SERIOUS. CLEARLY, INFORMATION CONCERNING HELP EXPECTED FROM EC HAS BEEN GARBLED BADLY SOMEWHERE ALONG THE LINE, BUT, IF EGYPTIANS, AS THEY HAVE TENDENCY TO DO, HAVE CONVINCED THEMSELVES THAT UP TO \$250 MILLION IS GOING TO BE PRODUCED BY EUROPEANS ALONE, THEY ARE IN FOR FURTHER SEVERE DISAPPOINTMENT.

8. IN CONVERSATION WITH JAPANESE CHARGE EVENING PRECEDING CALL ON NASR, EMBOFF RECEIVED TOTALLY DIFFERENT PICTURE OF STATUS AND USE OF GOJ LOANS. CHARGE SAID THEY HAVE BEEN HAVING GREAT DIFFICULTY IN GETTING EGYPTIANS TO MOVE ON BOTH COMMODITY AND PROJECT PORTIONS OF LOAN, AND THAT HIS VISITS TO MINECON HAVE BECOME ALMOST CONTENTIOUS FOR THAT REASON. EILTS

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